

Medical/Rx Rates – Effective July 1, 2013

- Harvard Pilgrim Health Care
- Blue Cross Blue Shield of MA
- Neighborhood Health Plan

Introduction

- The City of Boston retained The Segal Company to review its health benefits renewals and develop working rates for the year beginning July 1, 2013 (FY 2014).
- This report includes an analysis of the renewals for Harvard Pilgrim Health Care (HPHC), Blue Cross Blue Shield of Massachusetts (BCBSMA), and Neighborhood Health Plan (NHP).
- The City currently provides health coverage via the following providers:

Provider	Non-Medicare Plans	Medicare Plans
Harvard Pilgrim Health Care	Self-Funded Medical/Rx	Medicare Supplemental
Blue Cross Blue Shield of Massachusetts	Self-Funded Medical/Rx, Fully-Insured Dental	Medicare Carve-out, Medicare HMO, & Medicare Advantage
Neighborhood Health Plan	Fully-Insured Medical/Rx	Not Offered
Tufts Health Plan	Not Offered	Medicare Supplemental with PDP & Medicare Advantage

- The Medicare Advantage and Supplemental plans are not included in this report.

Introduction (continued)

- The projections in this report are estimates of future costs and are based on information available to The Segal Company at the time the projections were made. The Segal Company has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment (e.g., the Affordable Care Act or other legislation), local market pressure, health trend rates and claims volatility.

The projections do not reflect the potential impact of any future changes due to health care reform legislation, other than those previously adopted.

- The projection of the retiree costs takes into account only the dollar value of providing benefits for current retirees during the period referred to in the projection. It does not reflect the present value of any future retiree benefits for active, disabled or terminated employees during a period other than that which is referred to in the projection, nor does it reflect any anticipated increase in the number of those eligible for retiree benefits, or any changes that may occur in the nature of benefits over time.

HPHC – FY 2013 Projections

Expenses vs. Working Rates

FY 2013 Projections (presented on the following page)

- Based on year-to-date experience, we project total working rate premium to exceed total expenses and result in a surplus of \$15.3 million (or 6.3% of premium).
- We note Segal's projected costs for fiscal year 2013 are presented on a mature basis. That is, they ignore the cash flow advantage that results from moving from a fully-insured to a self-funding arrangement.

HPHC – FY 2013 Projections

Expenses vs. Working Rates

	HMO			POS			TOTAL
	Medical	Prescription Drug	Other	Medical	Prescription Drug	Other	
<u>Year-To-Date Incurred Claims</u>							
Claims thru October (Paid to 12/31/12)	\$55,312,928	\$9,166,341	\$833,532	\$5,070,825	\$937,925	\$80,066	
Completion Factor	1.0230	1.0000	1.0000	1.0250	1.0000	1.0000	
YTD Incurred Claims	\$56,585,919	\$9,166,341	\$833,532	\$5,197,424	\$937,925	\$80,066	
<u>Projected Incurred Claims</u>							
PMPM - 11/1/2012 to 6/30/2013 ¹	\$429.38	\$71.07	\$6.43	\$443.73	\$86.07	\$7.12	
Assumed Members ²	33,580	33,580	33,580	2,912	2,912	2,912	
Projected Claims - 11/1/2012 to 6/30/2013	\$115,347,349	\$19,092,551	\$1,728,648	\$10,337,167	\$2,004,989	\$165,881	
<u>Projected FY 2013 Total Expenses</u>							
Sub-Total Claims	\$171,933,268	\$28,258,893	\$2,562,181	\$15,534,591	\$2,942,915	\$245,947	
Total Combined Claims		\$202,754,000			\$18,723,000		
Estimated Rebates (City's 70% share)		(\$1,206,000)			(\$126,000)		
Administrative Fee ³		\$7,826,000			\$758,000		
Claim Fiduciary Fee ³		\$87,000			\$8,000		
Disease Management Programs ³		\$172,000			\$15,000		
Fitness Reimbursement		\$257,000			\$22,000		
Federal Health Reform (ACA) Fees ⁴		\$34,000			\$3,000		
MA Pediatric Immunization Program Assessment ⁵		\$437,000			\$39,000		
<u>FY 2013 Projected Experience</u>							
Total Expenses		\$210,361,000			\$19,442,000		\$229,803,000
Total Working Rate Premium⁶		\$223,926,000			\$21,224,000		\$245,150,000
Surplus / (Deficit) - \$		\$13,565,000			\$1,782,000		\$15,347,000
Surplus / (Deficit) - %		6.1%			8.4%		6.3%

Notes:

1. Based on the projected claim costs for fiscal year 2014 back trended to the 8-month period November 1, 2012 to June 30, 2013.
2. Assumes October 2012 enrollment as reported by HPHC.
3. Based on the HPHC administrative and program fees effective July 1, 2012.
4. Reflects the Comparative Effectiveness Research fee of \$1 PMPY.
5. Assumes the same surcharge as 2012, which represents 1.9% of hospital and ambulatory surgical center claims incurred during February, March, and April.
6. Reflects both the City and employees' share of the working rates and is based on enrollment through October 2012 as reported by HPHC. Assumes October enrollment for the remainder of FY 2013.

HPHC – FY 2014 Working Rates

- Segal's projected HPHC cost-only rates reflect projected costs for each plan and do not include any adjustments to build up or spend down reserves.
- Segal's projected FY 2014 cost-only rates represent an overall increase of 1.0% from the current working rates, prior to any additional reserves desired in the trust fund.
- Segal's projected costs are based on the following:
 - Claims incurred from November 1, 2011 to October 31, 2012 and paid through December 31, 2012 and HPHC incurred completion factors;
 - Trend assumptions of 8.0% medical, 7.0% prescription drug, and 5.0% other claims expenses;
 - Adjustments to reflect the negotiated plan design changes effective July 1, 2012 and the mandatory Medicare migration;
 - HPHC's proposed administrative fees for the year beginning July 1, 2013; and
 - Adjustments to reflect the differences in fully-insured and self-funded arrangements as explained by HPHC. This includes adjustments for capitations, "Medical & Practice Management" and "Other Provider Payments".

HPHC – FY 2014 Working Rates

		FY14 HPHC Working Rates							%Increase over FY13 Rates			
		FY09 Incr	FY10 Incr	FY11 Incr	FY12 Incr	FY13 Incr	Current FY13 100% Rates	Current FY13 Empl Rates	Cost- Only Rates	Cost-Only Rates Consolidated	Including Reserve Adj	Including Reserve Adj Consolidated
Harvard HMO	Ind	7.0%	8.0%	9.5%	7.25%	-1.25%	\$663	\$116	1.3%	1.0%	5.0%	4.8%
	Fam						\$1,784	\$312				
Harvard POS	Ind						\$707	\$159	-1.8%		1.9%	
	Fam						\$1,902	\$428				

BCBSMA – FY 2013 Projections

Expenses vs. Working Rates

- Based on YTD experience, we project total expenses to exceed total working rate premium and result in a deficit of \$1.28 million (or 1.9% of premium).

	Blue Choice		Blue Care Elect		Carve Out A&B		Total
	Medical	Prescription Drug	Medical	Prescription Drug	Medical	Prescription Drug	Total
<u>Year-To-Date Incurred Claims</u>							
Claims thru October (Paid to 12/31/12)	\$3,868,610	\$827,628	\$7,911,970	\$1,346,827	\$2,179,940	\$4,422,765	
Completion Factor	1.0036	1.0000	1.0225	1.0000	1.0386	1.0000	
YTD Incurred Claims	\$3,882,528	\$827,628	\$8,090,160	\$1,346,827	\$2,264,073	\$4,422,765	
<u>Projected Incurred Claims</u>							
PMPM - 11/1/2012 to 6/30/2013 ¹	\$532.62	\$102.57	\$916.21	\$175.30	\$142.10	\$246.30	
Assumed Members ²	1,933	1,933	2,157	2,157	4,738	4,738	
Projected Claims - 11/1/2012 to 6/30/2013	\$8,236,410	\$1,586,120	\$15,810,131	\$3,024,965	\$5,386,234	\$9,335,649	
<u>Projected FY 2013 Total Expenses</u>							
Sub-Total Claims	\$12,118,939	\$2,413,748	\$23,900,292	\$4,371,792	\$7,650,307	\$13,758,414	
Total Combined Claims		\$14,532,686		\$28,272,083		\$21,408,721	
Administrative Fee ³		\$550,091		\$891,767		\$1,400,048	
Capitations ⁴		\$844,715		\$0		\$0	
Federal Health Reform (ACA) Fees ⁵		\$1,937		\$2,168		\$4,749	
<u>FY 2013 Projected Experience</u>							
Total Expenses		\$15,929,429		\$29,166,018		\$22,813,517	\$67,908,964
Total Working Rate Premium⁶		\$15,474,094		\$25,659,257		\$25,500,015	\$66,633,366
Surplus / (Deficit) - \$		(\$455,335)		(\$3,506,761)		\$2,686,497	(\$1,275,599)
Surplus / (Deficit) - %		-2.9%		-13.7%		10.5%	-1.9%

Notes:

1. Based on the projected claim costs for fiscal year 2014 back trended to the 8-month period November 1, 2012 to June 30, 2013.
2. Assumes October 2012 enrollment as reported by BCBS of MA.
3. Based on the BCBS of MA administrative fee effective July 1, 2012.
4. Based on average year-to-date capitations of \$36.35 per member per month.
5. Reflects the Comparative Effectiveness Research fee of \$1 PMPY.
6. Reflects both the City and employees' share of the working rates and is based on enrollment through October 2012 as reported by BCBS of MA. Assumes October enrollment for the remainder of FY 2013.

BCBSMA – FY 2014 Working Rates

- Segal's projected BCBS cost-only rates reflect projected costs for each plan and do not include any adjustments to build up or spend down reserves.
- Segal's projected FY 2014 cost-only rates represent an overall increase of 10.4% from the current working rates, before application of reserves.
- The Blue Care Elect rates include an adjustment to reflect the elimination of the Master Medical and Carve Out A plans.

BCBSMA – FY 2014 Working Rates

		FY14 BCBS Working Rate							%Increase over FY13 Rates			
		FY09 Incr	FY10 Incr	FY11 Incr	FY12 Incr	FY13 Incr	Current FY13 100% Rates	Current FY13 Empl Rates	Cost-Only Rates	Cost-Only Rates Consolidated	Including Reserve Adj	Including Reserve Adj - Consolidated
BI Care Elect	Ind	-2.6%	2.7%	1.6%	6.8%	7.8%	\$1,081	\$297	22.5%	18.5%	3.6%	0.0%
	Fam						\$2,508	\$690				
Blue Choice	Ind	-3.8%					777	214	11.9%		-4.6%	
	Fam											
Mas Med A&B	Ind	-7.0%	0.0%	7.8%	0.0%	0.0%	\$448	\$112	-2.5%	-2.5%	-2.5%	-2.5%

NHP – FY 2014 Fully-Insured Premium

Proposed Premium Rates

	Renewal Enrollment	Current FY 2013 Rates	Initial Renewal Rates
HMO Plan			
Individual	908	\$604.06	\$634.26
Family	996	\$1,600.76	\$1,680.80
Estimated Annual Premium		\$25,714,000	\$27,000,000
Change From Current Rates			\$1,286,000
Composite Rate Change			5.0%

- NHP initially proposed a 5.0% increase for the plan year beginning July 1, 2013.
- We are negotiating with NHP and anticipate a slightly lower increase.